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Implementing the Stakeholder View

Learning Processes for a Changed Stakeholder Orientation*

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The stakeholder view of the corporation holds that the capacity of a business enterprise is to generate long-term value, which depends on critical stakeholders. This paper proposes a learning framework to explain why and how firms adopt a broader respectively changed stakeholder orientation or why they do not. Therefore, insights gained by a former research project will be updated and extended (see Post *et al.* 2002b). Using concepts from organisational evolution, a dynamic three-stage framework will be developed in order to analyse the paths of a firm's stakeholder orientation in practice and over longer periods of time. Preliminary results from case studies of three large and complex firms are used to illustrate the development of propositions and show first empirical evidence that the framework works in identifying generic learning processes and longitudinally capturing the development of stakeholder management in practice.

- **Stakeholder view of strategy**
- **Stakeholder management**
- **Stakeholder orientation**
- **Organisational evolution**
- **Organisational learning**
- **Corporate social responsiveness**
- **Case studies**

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In the perspective of the stakeholder view, a firm's stakeholder relations can be seen as important sources for the firm's value creation process. Learning processes are salient for the implementation of a successful stakeholder management especially with respect to a firm's strategy, structure and culture towards a broader[1] stakeholder orientation. So far, little attention has been paid to learning processes in order to achieve a desired level of stakeholder orientation. This paper aims to propose a learning framework that permits the capture of organisational learning processes from a stakeholder view perspective. It will allow differentiating, categorising and characterising generic learning processes that firms undertake during their journey towards a changed stakeholder orientation. After a short overview of existing literature, a learning process framework will be introduced and illustrated with three case studies. Based on these preliminary empirical findings, several propositions for future research will be developed.

Stakeholder orientation and organisational learning

This paper contributes primarily to the question of how and why specific **stakeholder orientations** change over time. The term 'stakeholder orientation' we use here relates to both normative and instrumental perspectives (Donaldson and Preston 1995). In this paper we focus on the instrumental perspective that will be further operationalised by the corporation's core elements—namely strategy, structure and culture—to enhance organisational wealth (see Post *et al.* 2002b: 60-63).

In the field of business and society, developments concerning the question of how a firm can implement more responsible behaviours already exist (see Ackerman 1973; Heugens *et al.* 2002; Post *et al.* 2002a). Such micro approaches, which can be found in literature on corporate social responsiveness (Frederick 1978), often relate to organisational processes necessary to implement social policies (e.g. Ackerman 1973; Post *et al.* 2002a). However, these approaches tend to be quite static because they usually do not explain how certain (social) issues arise and subsequently external (social) change is hardly ever conceptualised (see Frederick 1978). Additionally, these approaches describe the change of a stakeholder orientation as a more or less 'guided' policy process. Contemporary research on organisational evolution shows that both induced (guided) and autonomous (unguided) processes continuously shape strategy-making in large and complex organisations (e.g. Burgelman 1990; Burgelman and Mittman 1994; Lovas and Ghoshal 2000). Therefore it is assumed that stakeholder-oriented learning processes can be both directed and conscious initiatives or unguided and less conscious responses to environmental pressures. Furthermore, the focus will be not on a social policy construct in a narrow sense but on a comprehensive (strategic, structural and cultural) understanding of the firm's stakeholder orientation.

Our idea is to first evaluate the current and some former (earlier) stakeholder orientations of three large and complex firms. Second, we will apply a learning framework connecting the former state of the stakeholder orientation to the current one. The difference between the former and the current state will be interpreted as learning outcomes. By doing this repeatedly during the lifetime of a corporation (whereby specific

1 We will use the term 'learning' in this paper to express *organisational change* in the context of the firm's stakeholder interactions. It should be noted here that learning—especially associated with so-called 'learning organisations' (see Senge 1990)—may suggest a too optimistic perspective in the sense that firms will always become *more* stakeholder-oriented after a learning process. It seems more plausible to assume that a firm can broaden and shorten its stakeholder orientation by learning processes.

events will be considered as reference points for analysis) and comparing the results with different firms (cases), we may be able to derive some generalisations about the nature of stakeholder-oriented learning. The choice of such a longitudinal perspective on stakeholder learning suggests an appropriate theoretical basis for developing a dynamic learning framework tailored to the needs of modern stakeholder theory. The evolutionary approach as suggested by Campbell (1969, 1994), Winter (1990), Aldrich (2000) and others (e.g. Hannan and Freeman 1984; Miner 1991, 1992) will provide such a sound theoretical basis.

An evolutionary perspective on stakeholder learning

Since Donald Campbell's famous essay in the 1960s (see Campbell 1969), evolutionary thoughts have been applied in the social sciences by many different researchers (e.g. Aldrich 1979, 2000; Burgelmann and Mittman 1994; Levinthal 1991; Miner 1991, 1992, 1994, 1995; Aldrich and Kenworthy 1999; Baum and McKelvy 1999; Burns and Wholey 1993; Hannan and Freeman 1984; Lovas and Ghoshal 2000; Winter 1990). We will focus on the most basic concepts, namely the operation of generic evolutionary processes necessary for organisational evolution (Langton 1984: 335) whereby organisational change is interpreted in the form of stakeholder-oriented (organisational) learning processes. Besides the underlying evolutionary principle of struggle over scarce resources, the most important evolutionary processes are variation, selection and retention (and diffusion)[2] (Campbell 1969). By the operation of these processes it is possible to develop a framework for organisational learning in the context of the stakeholder view. The following simple variation–selection–retention framework is based on three generic evolutionary processes and is divided accordingly into three distinct stages as illustrated in Figure 1. This is similar to the evolutionary approach used by Miner (1991, 1994). It is important to note here that our framework is centred on a focal firm and that it is tailored for large and complex firms. While the mechanics of the framework could easily be applied to small and medium-sized firms as well, the easier access to company information and executives resulted in selecting only large firms for case analysis. An additional limitation of the framework is that it is only suitable for analysing already 'established' (and thus complex) companies, since, without a history to analyse, the application of the framework seems rather unpromising.

The first stage conceptualises the learning stimulus that is induced by triggering events taking place in the focal firm and in its *task* or its *contextual* environment. Before introducing the term 'triggering event', some remarks on the two environment types must be made. The 'task environment' refers to all aspects of the environment that are 'potentially relevant to goal setting and goal attainment' (Dill 1958: 410) and it is usually composed of such (direct) stakeholders as customers, shareholders, suppliers, competi-

2 Diffusion of variations describes the process of passing retained variations between different organisations of a population (Aldrich 2000: 31). For example, the movement of people between organisations facilitates knowledge diffusion within industries (e.g. Burns and Wholey 1993). Because the paper's focus is on organisational learning of a focal firm and not on inter-organisational learning processes such as stakeholders learning from the firm, the presented framework—in its current state—does not explicitly consider such diffusion processes. A special form of inter-organisational diffusion is 'mimicking'. It describes the process of firms imitating the behaviour of another (successful) firm, often for instrumental reasons. Even though mimicking is not considered in the current framework, it seems plausible that such efforts possibly end in either mimicking only the surface of the other firm's stakeholder orientation (e.g. by only copying strategy and/or structures of the [original] firm in a piecemeal fashion) or inducing (adaptive) learning processes in the mimicking firm. If the latter occurs, the mimicking process itself could be interpreted as a triggering event.

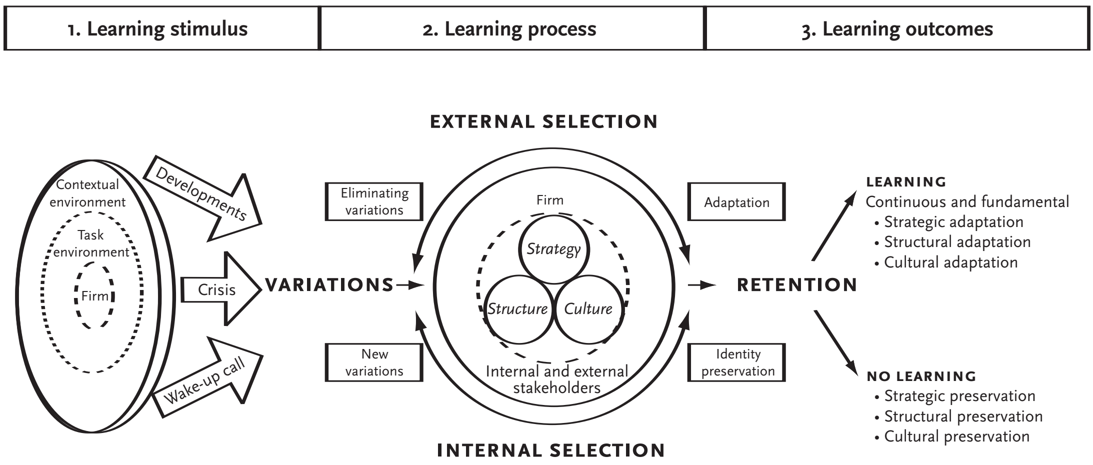

Figure 1 VARIATION–SELECTION–RETENTION FRAMEWORK OF STAKEHOLDER LEARNING

tors and employees (Bourgeois 1980). The task environment is thought to be embedded into the general or contextual environment which includes stakeholders affecting organisations indirectly as for example stakeholders from social, political or demographic sectors (Trist 1976). Because this paper does not aim to analyse the influence of different environmental conditions on firm performance, but rather *why* and *how* firms learn in the context of their stakeholder relations, we decided not to differentiate between different environmental states. Thus, the following framework assumes that the focal firm is operating in turbulent environments. This assumption is rationalised with Emery and Trist's perception made in the 1960s that most contextual environments (and consequently many task environments) begin to move in a turbulent state (see Emery and Trist 1965; Schon 1971; Trist 1976; Ansoff 1979).

Learning stimulus

In turbulent and interconnected (Sachs and Rühli 2002) task and contextual environments, the changes and the evolution of these two layers are capable of generating **triggering events**. This term is borrowed from researchers in the field of industrial crises (e.g. Kates 1977; Shrivastava 1987, 1995; Shrivastava and Mitroff 1987; Frankel and Roubini 2001). While Shrivastava (1995) and others use triggering events as a key characteristic to describe industrial crises, this paper uses the term in a much broader sense. Table 1 contrasts the differences between interpretations of triggering events.

So far, we differentiate between three types of triggering event, namely **developments**, **crises** and **wake-up calls**. These events are distinct from each other in multiple dimensions such as **scope** (focal firm, task environment and contextual environment), **management's forward notification** (whether management perceives changes imposed by an upcoming event *ex ante* or *ex post*) and most importantly by the **external selection pressure** these events may trigger. This external selection pressure depends heavily both on the potential impacts of the variations triggered by an event and on whether the involved (key) stakeholders represent strong market forces, occupy important resources (on which the firm is depending), or have access to political, regulatory or other forms of social power. In Figure 2, the three event types are positioned within a matrix along

	Literature on industrial crises	*Framework of stakeholder learning*
Subcategories	▶ Production-based and consumption-based events	▶ Developments, crises and wake-up calls
Source of event	▶ Failures inside firms, technological failures, regulatory failures, and acts of nature (e.g. earthquakes, hurricanes, etc.)	▶ Broad set of internal and external sources in the firm's task and contextual environment
Effect of event	▶ Large-scale damage to human life and environment	▶ Variations in the firm's stakeholder network; adaptation or identity preservation
Consequences	▶ Economic and social costs	▶ Economic and social costs and benefits (i.e. by learning)
Stakeholder groups involved	▶ Multiple stakeholders (media, customers, governments, victims of crisis, shareholders, etc.)	▶ Market-based, resource-based and sociopolitical stakeholders

Table 1 TREATMENT OF TRIGGERING EVENTS

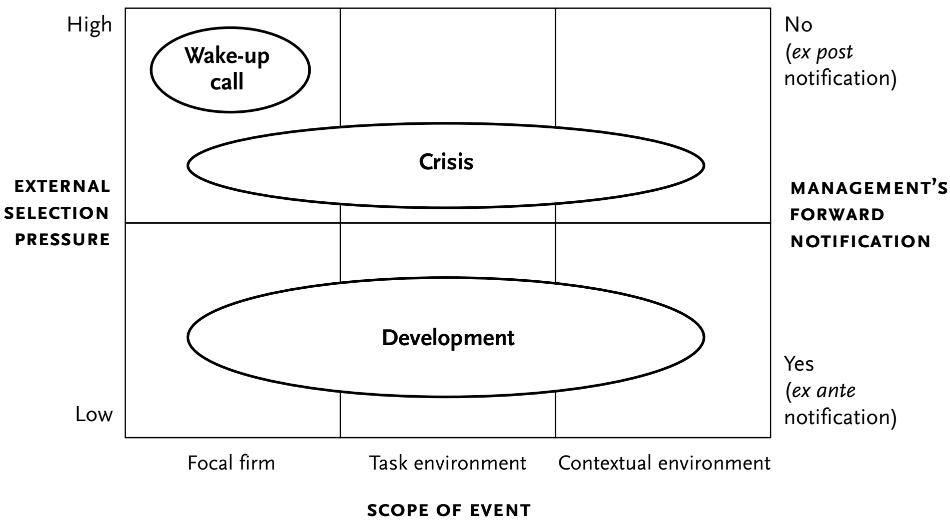

Figure 2 TRIGGERING EVENTS MATRIX

the dimensions external selection pressure (impact), scope and management's forward notification.

One of the development-based event's characteristics is that it is only capable of triggering low external pressure to the focal firm. Because developments often constitute themselves in the form of large-scale economic, social, technological, ecological or regulatory trends, it is assumed that developments impact the focal firm, task and contextual environments. If the management of the focal firm perceives such developments, it is assumed that this 'forward notification' happens *ex ante* (because the corresponding event comes with low direct pressure for the firm). In contrast to developments, both crises and wake-up calls generate high levels of external pressure. While crises usually affect large parts of the focal firm's task and contextual environments (e.g. a hurricane hitting a region where the focal firm is operating can affect the task environment consisting of local customers, suppliers, employees and other strategic stakeholders as well as entities in the firm's contextual environment such as media, (local) government, etc.), wake-up calls affect—by definition—only the focal firm itself. Since both crises and wake-up calls release high external pressure on the focal firm it is assumed that management's forward notification is *ex post*.

By the evolution of both task and contextual environments as well as by actions of the focal firm, potential events are activated and turn into triggering events. These events will become the reference points for identifying organisational learning processes within the framework illustrated in Figure 1. All of these events are thought to trigger internal and external variations. Such variations—which represent the raw material of organisational evolution (Aldrich 2000: 23)—lead to changes (variations) in the firm's stakeholder network. Whether these external variations lead to retained variations (learning) inside the firm will be determined in stage 2, below.

Learning process

At the second stage, where the actual learning processes are situated, both **internal** and **external selection forces** are decisive whether the firm adapts its stakeholder orientation or not. They represent forces that differentially select or selectively eliminate certain types of variation (Aldrich 2000: 26). The firm's current stakeholder orientation during an event is assumed to act like a filter providing internal selection criteria. Internal selection forces are pressures towards stability and homogeneity (Campbell 1969) and lead to persistence of past selection criteria, even if these criteria are no longer relevant in a new (changed) environment (Campbell 1994). According to Hannan and Freeman (1984), such routinising can enhance a focal firm's survival changes by increased reliability in performance and accountability for actions. But, as Fischer and Pollock (2004) conclude, this process also generates 'strong inertial pressure which discourages organisational change' (2004: 463) because of the potential for disruption to existing routines, structures and social norms. External selection pressures are assumed if (external and/or internal) stakeholders call for an adaptation of the focal firm's stakeholder orientation. Criteria for external selection are the expectations of stakeholders. These selection forces do not always correspond to internal and external stakeholders. Thus, cases exist where external selection forces are represented only by internal stakeholders such as top management or employees and there are cases where internal selection forces are nurtured primarily by external stakeholders (e.g. if the focal firm has a strong orientation towards external shareholders). Following existing literature on stakeholder-oriented learning (i.e. Post *et al*. 2002b), we distinguish between three types of learning process: **adaptive learning**, **renewal learning** and **transformational learning**. A short description of each of these generic learning types follows.

Adaptive learning

Adaptive learning involves incremental, gradual changes and adjusting routines and practices to avoid known mistakes (or risks) and to take advantage of recognised opportunities. Processes and behaviours are modified within an essentially unchanged configuration of corporate strategy, structure and culture (Post *et al*. 2002b: 200). Adaptive learning processes are based on the corporation's core values that already favour a broad stakeholder orientation. Adaptive learning typically consists of multiple and continuous single learning loops, although double-loop learning is sometimes possible (2002b: 200).

Transformational learning

Transformational learning involves fundamental and even disruptive changes within the focal firm including substantial changes in its core values (Post *et al*. 2002b: 200). Significant discontinuities can force such learning, and it may induce changes in an organisation's strategy, structure and culture (Drucker 1989). Transformational learning is characterised by higher-level learning (Fiol and Lyles 1985), meaning that norms, assumptions and frames of reference are questioned. Such double-loop or even deutero learning (Bateson 2000) is necessary in order to implement generative changes (Senge 1990) in all three elements of the corporate core.

Renewal learning

Renewal learning involves evolutionary and more proactive behaviour, including the re-examination of assumptions and cognitive frameworks. Basic values and goals may be pursued in new ways, involving noticeable changes in strategies and structures. The pending expectations of specific and often dyadic stakeholders (Rowley 1997) can induce this type of learning process (Post *et al*. 2002b: 200-202). As transformational learning, renewal learning consists of both single- and double-loop learning and represents a mixture of generative and instrumental learning (see Senge 1990). Therefore, this type of learning can be seen as a step between the previously introduced types of learning, adaptive and transformational. Renewal learning can be differentiated from adaptive learning by including significantly more double-loop learning and (discontinuously) changing one or two of the corporate core elements, and from transformational learning because the firm's culture does not get fundamentally changed but is instead 'renewed'.

Learning outcomes

The interaction of both external and internal selection forces determines if in stage 3 a variation in the firm's environment turns to a strategic and/or structural and/or cultural variation of the firm's stakeholder orientation (**adaptation**) or if the previous stakeholder orientation becomes 'imprinted' and preserved (**identity preservation**). The outcomes of the learning processes have an impact not only on the firm (via adaptation or identity preservation) but also on its environment(s). In the case of an adaptation, external variations may be eliminated because of the firm's changed stakeholder orientation. In the case of an identity preservation, new variations can arise because stakeholders may switch to escalation strategies (because of the firm's inactive stance).

Empirical investigations based on comparative case studies

In order to investigate learning processes according to our learning process framework, we adopt the method of comparative case studies. Since this paper is primarily a theoretical contribution, we abstain at this point from describing every detail of our research methodology (e.g. research design, criteria for selecting cases, etc.). The rest of this section is therefore limited to introducing the first three cases (Swiss Re, Sunrise and Shell), which will be used to illustrate the development of propositions in the next section.

Swiss Re Group

Swiss Re Group is one of the world's leading and financially strongest reinsurers, with roughly 9,000 employees. From the point of view of its business, Swiss Re is a knowledge-based company and therefore sustainable employee relations are a key strategic factor. Induced by several crisis-based events such as Hurricane Andrew (in 1992) and other development-based events such as the globalisation of the reinsurance business and a resulting extensive merger and acquisition strategy, Swiss Re started a transformational learning process towards a conscious stakeholder-oriented strategic management that covers not only employee and shareholder relations but also customers, regulators and relations to NGOs (non-governmental organisations). The underlying stakeholder orientation intensified during the 1990s; the mixed normative and instrumental orientation of Swiss Re that focused on employees, customers and shareholders changed towards a broader and even more strategic approach to stakeholder management including new key stakeholders (e.g. regulators and NGOs) and changing priorities within existing key stakeholders (e.g. between employees and shareholders) to support Swiss Re's value creation process.

The learning outcomes are—as assumed with transformational learning—fundamental changes in strategy (e.g. focusing of corporate strategy, changing stakeholder priorities, intensifying both the scope and the scale of external communications, etc.), structure (e.g. Swiss Re divested almost all of its direct insurance activities and went through a reorganisation process to focus on life, non-life and financial services) and culture (the effects of globalisation created changes in the dominance of certain national-based cultures within Swiss Re, subsequently leading towards a new cultural value of 'multiculturalism'). The challenges of the more recent events (economic downturn and rise of terrorism) clearly generated new learning processes based on the new risks linked to these events. Still, these learning processes are not as fundamental as before and could be characterised as adaptive learning with some elements of renewal learning.

Sunrise

Sunrise is a telecommunications firm in Switzerland that originated from a merger between diAx and the former (old) Sunrise in 2001. From the point of view of stakeholder orientation, the two merger candidates had different experiences and therefore different path dependencies. As diAx was founded by former managers of the electricity industry of the Swiss public sector, it had been stakeholder-oriented by an intrinsically motivated humanistic commitment. But Sunrise—although it had similar roots to those of diAx as it was also founded by stakeholder-oriented Swiss companies (e.g. SBB, the Swiss federal railway provider)—had some conflicts with the public authorities and the telephony market regulators. Following the merger, it was not only necessary to combine these two very different attitudes towards stakeholders but it turned out that the new owners of the merged companies—Tele Danmark—also brought in a narrow instrumental (shareholder-focused) stakeholder orientation and new management with almost no experience in the local Swiss business and social context. Challenged by several events, new Sunrise is now in a post-merger phase and possibly at the initial stage of a transformational learning process back to a broader instrumental stakeholder orientation which considers employee, customer, regulator and (local) NGO relations.

Shell

Shell is one of the leading firms in the oil industry with about 100,000 employees in more than 140 countries. In terms of the history of events, Shell experienced two challenges in 1995. First, Shell met with unexpectedly strong opposition (external selection pressure) when it wanted to dispose of the oil storage buoy Brent Spar in the North Atlantic. Second, it was accused of destroying indigenous people's (Ogoni) land in Nigeria with its drilling activities and of indirectly supporting the Nigerian government's activities (the Nigerian government executed nine Ogoni people, among them their spiritual leader Ken Saro-Wiwa). These events, which can be classified as two independent wake-up calls, could generate enough external selection pressure in the short term (especially during 1995 and at the beginning of 1996) to overcome strong path dependencies (i.e. internal selection pressure) set by earlier events (e.g. Shell's experience during the Second World War, the Italian bribery affair or the Rhodesian issue; see Howarth 1997).

These two events strongly influenced a continuous reorganising process induced by too low a ROACE (return on average capital employed) which was triggered by development-based events such as increased competition in Shell's task environment at the beginning of 1990s. Shell's stakeholder orientation has changed since then towards a more normative stakeholder orientation based on humanistic commitments[3] and also to a broader instrumental stakeholder orientation considering strategic, structural and cultural adaptations (for further details, see Post *et al.* 2002b). More recent events in Shell's history (e.g. Shell's proactive behaviour in the Camisea issue (a controversial oil and gas project in the Peruvian Amazon) in 1998 or the successful clean-up of a serious oil spill in Sydney Harbour with a minimum of public pressure) demonstrate some of the retained learning outcomes of the 'Brent Spar/Nigeria' learning cycle. Shell at 1995–2000 is therefore an example of a transformational learning process towards a stakeholder-oriented strategic management.

Development of propositions

In order to guide the reader through the different propositions used in current and future investigations, Figure 3 illustrates a 'path model' to explore the following section.

> *Proposition 1a:* Development-based events tend to induce adaptive stakeholder learning if the focal firm's internal selection pressure is low.

We have some evidence in the Sunrise case that, in one of the former firms before the merger (diAx), there was a substantial amount of adaptive learning in relation to development-based events such as the liberalisation of the Swiss telecommunications industry. Data from this case suggests that diAx—during its founding and start-up phase—had rather low internal selection forces. A manifestation of this can be seen in the extensive use of sponsoring strategies aimed at introducing the diAx brand and creating favourable relationships with stakeholders. This adaptive posture of diAx was supported by its corporate culture—characterised by former diAx managers as a 'gold rush' mentality[4]—which included an intrinsic commitment towards a broad set of stakeholders but especially towards employees. This culture along with a flat structure and a clear and adaptive growth strategy aimed at grasping the entrepreneurial chance given by the development-based event, the liberalisation of the Swiss telecommunications industry. These patterns may help to explain the adaptive cycles of diAx during its early existence.

> *Proposition 1b:* Development-based events lead to strategic preservation and to structural and cultural preservation if the focal firm's internal selection pressure is high.

3 Shell articulated its new core purpose as 'helping people build a better word' (Shell 1997).

4 Typical for this kind of start-up and 'work hard–play hard' (see Deal and Kennedy 1982) culture is that, at diAx, every employee addressed everybody (including the CEO) informally and employees often slept in their offices to save time for working harder. Other symbols of this culture can bee seen in the diAx-motto 'Every day has 24 hours', and in having parties at diAx every week.

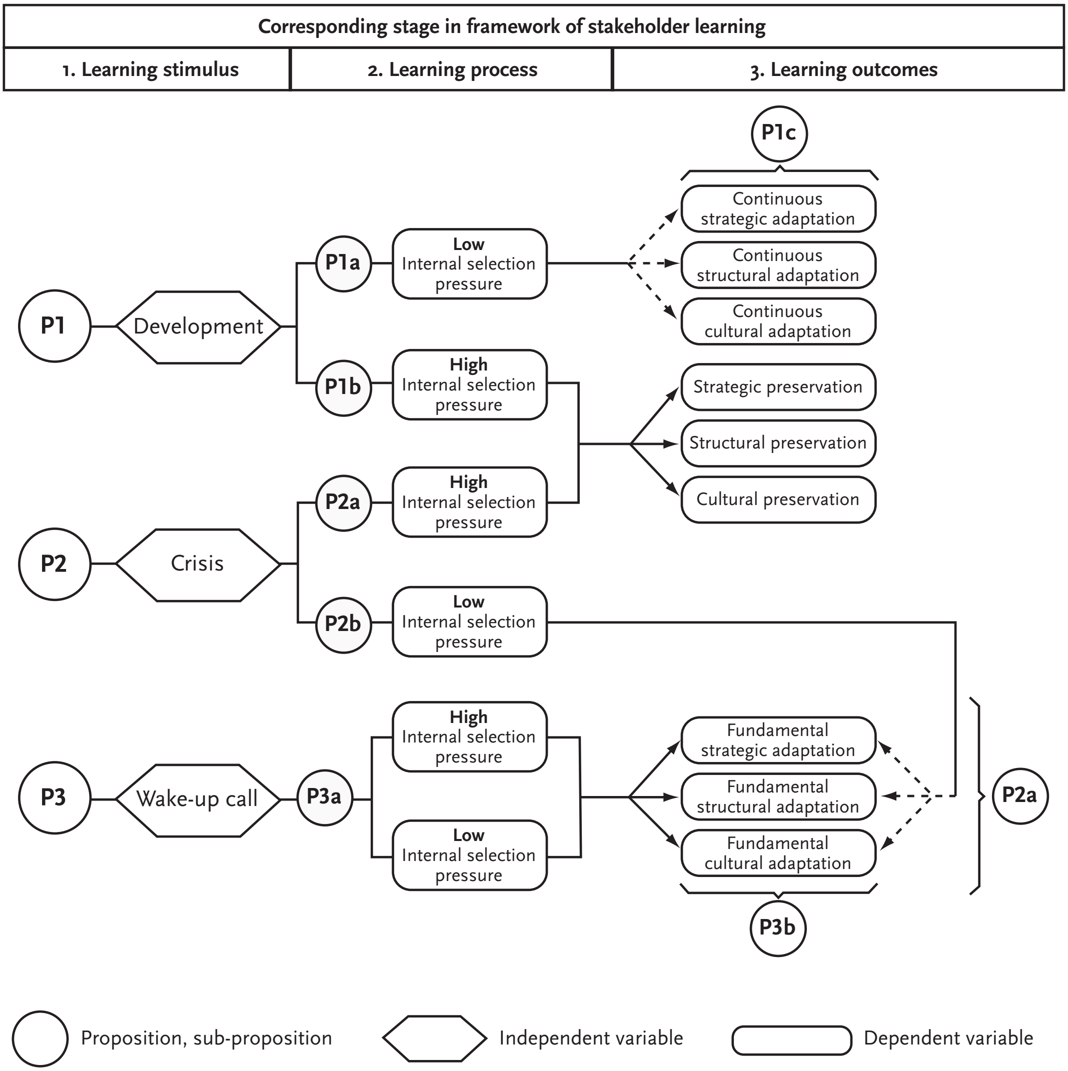

Figure 3 PATH MODEL OF PROPOSITIONS

The second company that merged with diAx to form the new Sunrise—old Sunrise—provides an example for such 'non-learning' as described by Proposition 1b. The event 'beauty contest for mobile telephony licences'—with its overwhelming importance for both diAx and old Sunrise—led to different consequences for the two companies. For diAx, the success of obtaining a licence was a breakthrough in a new, fast-growing and profitable market segment which led to a high investment strategy and to an extremely strong growth of diAx. New structures had to be built up and the drive of the winner mentality dominated the still employee-oriented culture of diAx. For old Sunrise, not obtaining a licence for mobile telephony led to strategic preservation (by focusing on the fixed net customers) and to an inactive and reactive stance against one of its strategic stakeholders (i.e. the regulators). Although old Sunrise had no strong internal selection pressures because of its short history, the negative signal from the regulatory authorities concerning the mobile telephony licence limited old Sunrise's strategic options and consequently its corporate core did not change but was deepened (imprinted). Therefore the tendency at old Sunrise to interact reactively with regulators after the beauty event could be explained by internal selection pressure built up by that previous experience.

So the event 'beauty contest for mobile telephony licences' can be seen as a (positive) 'crisis' for diAx (see also Propositions 3a–3b) and as a development-based event for old Sunrise with the effects of stronger strategic imprinting (i.e. by focusing on present customer groups), structural preservation and deepening of Sunrise's core values which favoured customer orientation.[5]

> *Proposition 1c:* Adaptive stakeholder learning leads towards continuous and incremental adaptations of either strategy, and/or structure, and/or culture of focal firm with respect to its stakeholder relations.

Evidence from the Swiss Re and Sunrise cases tends to support proposition 1c. So recent structural modifications of Swiss Re (e.g. the creation of a new organisational unit responsible for 'sustainability') can be seen as the result of an adaptive learning process triggered by developments (e.g. global warming). Such structural adaptations cannot be considered as a radical (fundamental) change (because 'sustainability' was managed at Swiss Re even before the recent structural modification) but instead as a continuous development within Swiss Re. The former diAx in the Sunrise case has used adaptive learning to improve its already good relations with regulators during the early stages which enabled diAx to influence further regulations (e.g. concerning mobile communications and the acquisition of a UMTS licence in 2000) in order to adapt the strategy for mobile telephony of (now merged) Sunrise.

> *Proposition 2a:* Crisis-based events tend to induce renewal stakeholder learning if the focal firm's internal selection pressure is low.

Although crises can release significantly more external pressure than developments, it is still necessary (for renewal learning to take place) that internal selection pressures are not too high

In the Swiss Re case, we could observe some aspects of renewal learning that are still ongoing within the firm. If we look at the events leading to this, it looks as if renewal learning is more likely to happen when it is induced by several crises (economic downturn, rise of terrorism, new regulations) because these crises can mobilise enough external selection pressure to overcome organisational inertia (internal selection pressures). Nevertheless, crises seem to mobilise enough pressure to fundamentally change at least parts of the corporate core. Thus, for example in the Swiss Re case, the events economic downturn and new regulations pushed the (strategic) priorities of shareholders and regulators and (slightly) decreased those of employees. The renewal learning process at diAx triggered by the event 'beauty contest for mobile telephony' (which facilitated a quick expansion of diAx's mobile business) provides an example showing that crises can have positive impacts on firms that can react quickly and adapt to the altered environment. But, in general, such renewal learning processes are often accompanied by a defensive or reactive strategy towards the stakeholders involved in the crisis. A proactive or interactive stance is no longer possible in the face of a crisis since the management's forward notification occurs *ex post* and external pressure subsequently makes it impossible for management to choose strategies other than reactive (which implies renewal learning) or inactive ones (see next proposition 2b).

5 This value 'customer orientation' is also reflected in the firm's name. Although it was originally founded (in 1996) as 'Newtelco AG' it was soon decided to label products and services under the 'sunrise' brand in order to position the company not as a 'high-tech' company but instead as being 'heart-tech'.

Proposition 2b: Renewal stakeholder learning leads to strategic persistence and to structural and cultural preservation if the focal firm's internal selection pressure is high.

When crisis-based events fail to generate enough external selection pressure to overcome internal selection pressures, then the focal firm follows an inactive strategy towards the stakeholders concerned by the crisis. Such an inactive tenure leads to stronger imprinting of the focal firm's initial strategy and subsequently increases internal selection pressures for future events. The inactive strategy on the part of the focal firm can also result in stakeholders involved in the event switching to escalation strategies which may increase external selection pressure on the firm. In this sense, a crisis for a whole industry (or nation) can transform into a wake-up call for some firms (which follow inactive strategies to resist external selection pressure). An example of this situation can be seen in the Nigeria issue for Shell in 1995. The event 'indictment and execution of nine Ogoni leaders' can be viewed as a crisis for a wide range of social entities. Shell's inactive position concerning public expectations had turned this event into a wake-up call (see also Proposition 3a). This stance in the Nigerian issue can be explained by referring to strong internal selection pressures generated by Shell's earlier (and negative) experiences when taking 'political actions'.

Proposition 2c: Renewal stakeholder learning changes fundamentally either strategy, and/or structure, and incrementally changes (renews) the culture of the focal firm with respect to its stakeholder relations.

While crises seem suitable to induce radical (fundamental) changes in a corporation's strategy and structure (see examples following Proposition 2a), the effect of renewal learning on culture tends to be less fundamental. Thus, the example of Swiss Re and earlier (similar) case studies of Motorola (e.g. Peach 1999; Post *et al.* 2002b) show that the culture of a firm in a renewal learning process is reaffirmed (renewed) but not fundamentally changed. In this sense, the efforts of Swiss Re at the beginning of 2003 to launch an internal campaign to reaffirm corporate values can be understood as one initiative in the context of a larger renewal process. Finally, the relationship between wake-up calls and transformational learning is conceptualised with the following set of propositions.

Proposition 3a: Wake-up calls tend to induce transformational stakeholder learning no matter whether the focal firm's internal selection pressure is high or low.

Shell is an exemplary case for the relation stated by proposition 3a. It is hard to think of Shell's (proactive) behaviour in the Camisea issue without the earlier experiences generated by the two wake-up calls 'Brent Spar' and 'Nigeria'. The combined pressure from two wake-up calls could overcome Shell's strong organisational inertia and enabled a transformational learning process during the second half of the 1990s. However, the data from Swiss Re suggests that transformational learning processes can also occur without any wake-up calls. Swiss Re's transformational learning process towards a global company (between 1995 and 2000) seems to have resulted without any true wake-up call but because of multiple and parallel development and crisis-based events. The preconditions for developments and crises to result in transformational learning seem to be multiple and at least partially parallel events and a certain level of stakeholder orientation already present within the corporation concerned.

Proposition 3b: Transformational stakeholder learning fundamentally changes strategy and structure, and culture with respect to the firm's stakeholder relations.

Both Shell and Swiss Re are examples of the fundamental changes generated by transformational learning. All three dimensions of the corporation's core (strategy, structure and culture) are affected, whereby the impacts on culture seem to be one of the main benefits of transformational learning. While the other two learning types (adaptive and renewal) are also capable of inducing (incremental) changes in the cultural configuration of a firm, transformational learning seems to lead to far more fundamental cultural adaptations. Another argument for associating transformational learning with fundamental change in the focal firm's corporate core is associated with the observation that, in times of wake-up calls, large and complex firms (which are often more exposed to the public than smaller firms) tend to switch to new management teams which often follow new strategies, implement new structures and come with different mind-sets and attitudes towards stakeholders.

Conclusions and future research

In general, the preliminary results of the three case studies do fit well into the proposed framework of stakeholder learning. By its application, it is possible to explain changes in a firm's stakeholder orientation over time. Surprisingly, we identified in the Swiss Re case a transformational learning process relating to developments and crises. To handle this issue within the framework, we will further develop it and apply it to other case studies in order to find out if the relation between transformational learning and events is more complex. This is connected to a more general question of whether the conceptualisation of (only) three event types is enough to capture *all* cases in business practice. For example it could be advantageous for the framework if the event-type 'crisis' could be differentiated into such crises that only affect the focal firm and its task environment (e.g. the bankruptcy of an industry-wide important supplier) and such crises that affect the firm and its contextual environment (e.g. terrorism). A still open issue is the possibility of events switching their type. Such 'event switching' can often be observed when industry-wide crises turn for some firms into a wake-up call. This may mean that event types have distinct 'life-cycle' profiles which could further help in distinguishing events. Another interesting area relates to the question of whether the stakeholders themselves learn in the context of the firm's stakeholder-oriented learning processes. While it seems rational to assume that a dyadic relation (such as a firm–stakeholder relation) has effects on both sides, the framework presented in this paper is aimed to be firm-focused. But it seems to be a promising methodological and empirical step to include and examine the effects of stakeholder learning on stakeholders and thus to extend the framework's scale (see also footnote 2). By now, it seems better to further investigate the nature of stakeholder-oriented learning processes to derive at least limited generalisations about their characteristics and occurrence. Thus, future empirical investigations in the Swiss telecommunications industry will show if our conceptualisation of stakeholder-oriented learning processes is supported by data from further (fully fledged) comparative case studies.

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